

Research Paper

Marketing

Effects of Procedural Justice Complaints Resolution Strategies on Customer Satisfaction in Kenya's Banking Industry.

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ABSTRACT

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Banking industry is one of the world's biggest and oldest industries in the world and more so the engine of the economy. Its stability and growth is therefore paramount to economic performance of individual countries including Kenya. However, with the increasing competition banks have had to refocus on various strategies aimed at maintaining a

stable and profitable customer base. Maintaining a loyal customer base has seen banks invest in various marketing strategies among them complaint resolution strategies so as to have an ever satisfied clientele. The purpose of this study therefore was to establish the effect of procedural justice customer complaint resolution strategies on customer satisfaction. The study employed an explanatory survey design and targeted all the 20 banks based in Eldoret operating and licensed by Central Bank of Kenya as at June 2013. Additionally, 2300 customers were targeted for the study. A sample size of 372 customers was selected using systematic sampling techniques. A self administered questionnaire was used to collect primary data. With the aid of Statistical Package for Social Sciences (SPSS), both descriptive statistics that included frequencies, percentages, mean, and standard deviation as well as inferential tests such as Pearson chi-square, Pearson correlation, Exploratory Factor Analysis and Multiple Regression Analysis were performed. Exploratory factor analysis was used to validate and test the indicators of the preconceived complaints resolution variables. The study revealed four dimensions of complaint resolution strategies; Procedural justice strategies (Timing Communication, Decision control, and Effort) accounted for 60.723% (R) of the total variance hence justice theory on complaint resolution is valid in developing countries including Kenya. Results of the Hypothesis testing via multiple regression analysis indicated that procedural justice factors were significant (p<0.05) and accounted for 42.9% (R2) of customer satisfaction. The study concludes that customer complaints resolution strategies are an important feedback mechanism to establish customer satisfaction levels and banks are therefore advised to invest in them. Further, the study recommends that Timing, Effort, Decision Control and communication related strategies should be pursued on the procedural front. Accessibility related strategies should however be done away with given it's negative effect on customer satisfaction. Further studies should be carried out to establish the relevance of accessibility related strategies on customer satisfaction in other industries and study areas. A comparative study with special emphasis on managers' perspectives could also be undertaken.

KEYWORDS:

1.0 INTRODUCTION

Customer satisfaction is a much sought after phenomenon in today's highly competitive and globalized market place. Today's consumers seek more than price bargains and want useful purchasing information, high quality, reliable and safe products, dependable servicing, and fair sales practices. A company's failure to fulfill these expectations can breed dissatisfaction and antipathy, unless that business helps resolve resulting consumer complaints fairly and promptly. Satisfied customers are less price sensitive,

buy additional products, are less influenced by competitors and stay loyal longer (Zineldin, 2000). Bejou et.al, (1998) propose that customer satisfaction can be enhanced through relationships provided they are developed and managed. Companies are adopting market-driven strategies guided by the logic that all business strategy decisions should start with a clear understanding of markets, customers, and competitors.

Customer satisfaction is an important theoretical as well as practical issue for most marketers and consumer researchers (Dabholkar et.al., 1996; Meuter et al., 2000). However, despite the importance of customer satisfaction in the performance of the organizations, there exist evidence that all is not well in Kenya's banking industry. The Economic growth momentum that started in 2003 was restrained by a number of both internal and external factors. These factors included the 2008 post election disruptions, the global financial crisis, the high fuel and food prices among others. Combined, these factors slowed the economic growth from 7.1 percent to 1.7 percent in 2008 (Economic Survey 2009).In response, many retail banks are directing their marketing strategies towards increasing customer satisfaction and loyalty through enhanced customer service. Complaint resolution Strategies refers to the strategies firms use to resolve and learn from service failures in order to establish the organization's reliability in the eyes of the customer. According to Cravens and Piercy (2003), a company can

be market-oriented only if it completely understands its markets and the people, and that complaint resolution strategies are important particularly in managing customer relationships in service business.

Despite increased investment in complaint resolution strategies, little is known about how customers perceive a company's response to their complaints. While several studies have been conducted on this subject in the Western world (Morgan and Hunt, 1994), non that focuses on the subject has been carried out in the Kenyan set up. This study therefore, sought to establish the effect of procedural complaints resolution strategies on customer satisfaction. The main objective of the study was to determine the effect of organizational procedural justice strategies on customer satisfaction amongst bank customers within Eldoret municipality. This study hypothesized that: Ho, There exists no significant effect of organizational procedural justice on the level of customer satisfaction.

Kano's customer satisfaction model was used (Kano et al., 1984). This is a two-dimensional model of the relationship between performance (expressed as performance measures) on the one hand, and value (expressed as customer satisfaction) on the other to be used as a basic tool to establish the relationship between what an organization does and how this is perceived by the customer.

A summary of the various variables under procedural justice theory elements is provided in Table 1 below.

Table 1.1: Definition of Justice Elements and Associated Research

Justice Concept	Definition	Dependent Variable(s)	Representative Research
Procedural Justice			
Process Control	Freedom to communicate views on a decision process	Satisfaction, commitment	Goodwin and Ross (1992) Kanfer et al. (1987) Lind and Tyler (1988)
Decision Control	Extent to which a person is free to accept or reject a decision outcome	Satisfaction, relationship investment	Brett (1986) Heide and John (1992)
Accessibility	Ease of engaging a process	Satisfaction	Bitner, Booms, and Tetreault (1990) Bowen and Lawler (1995)
Timing/Speed	Perceived amount of time taken to complete a procedure	Anger, uncertainty, satisfaction, service quality	Fisk and Coney (1982) Maister (1985) Taylor (1994)
Flexibility	Adaptability of procedures to reflect individual circumstances	Market orientation, satisfaction	Bitner, Booms, and Tetreault (1990) Narver and Slater (1990)

Source: Reis (1986)

One important component in the concept of satisfaction is complaint management. Nyer (2000) has investigated the relation between consumer complaints and customer satisfaction. The author found that encouraging consumers to complain increased their satisfaction.Johnstone (2001) claims that complaints management does not only result in customer satisfaction, but also leads to operational improvement and improved financial performance. Satisfied customers are less price sensitive, buy additional products, are less influenced by competitors and stay loyal longer(Zineldin, 2000). Research conducted by Athanassopoulos (2000) indicates that product innovations, staff service, price, convenience and business profile are all determinants of customer satisfaction. Satisfaction increases customer retention, and customer retention depends on the substance of the relationship between parties and also examines the importance of service recovery in determining overall satisfaction, arguing that a company is more likely to retain a customer by encouraging complaints and then address them, than by assuming that the customer is satisfied (Erickson and Lofmack Vaghult, (2000).

2.0 Conceptual Model of the Study

The study sought to establish the effect of procedural complaint resolution strategies on perceived customer satisfaction. The dependent variable is customer satisfaction.

Figure 2.1: Procedural Justice Strategies and Customer Satisfaction



Source: Adapted and modified from Tax and Brown (1998)

3.0 RESEARCH METHODOLOGY

This study adopted an explanatory survey design to assess respondents' perceptions of complaint resolution strategies on most recent service-related complaint. The design is also appropriate as it allows for use of questionnaires and also gives and opportunity for gaining insights into the study population and variables being studied. The design also allowed for the use of inferential statistics to establish significance in relationships between dependent and independent variable (Hair *et.al.* 2006) hence test the hypotheses.

The study was undertaken in Eldoret town, Rift Valley Province; Kenya. The study area is a commercial and administrative centre of the former greater Uasin Gishu District. The town is cosmopolitan with diverse communities inhabiting it. It has several industries and firms in the municipality which are mainly agro based (CBS, 2005). The town's economic growth is further evidenced by an ever growing banking and insurance sector, (Korir, 2008).Currently the town has 20 banks from a low of 6 banks five years ago and more than 10 banks have opened branches in the town in the last four years (Korir, 2008) with an estimated population of 700,000.

The study targeted two population groups; Firstly, were the banks registered, licensed and operating in Eldoret town as at June, 2010 and were 20 as per Kenya Bankers Association records (2013) and CBK records (2013). Secondly, the study targeted employees of Moi University, Eldoret as consumers of bank services and May' 2013 payroll acted as the sampling frame where 3,343 employees were captured. Out of this, the targeted population was 2302 employees in that they were customers of targeted banks while the rest of employees received their salaries through Moi University Savings and Credit Cooperative Society (MUSCO).

The study utilized various sampling techniques employed on the targeted population groups; Census study was carried out on the banks present in Eldoret town and numbered 20 as per Kenya Bankers Association records (2013) and CBK records (2013). Non-probability purposive sampling was employed in the selection of respondents for the study where bank branch managers participated in the study as respondents. In the sampling for customers, Israel (2000) provides a simplified formula to calculate sample size. This formula was used to calculate the customers sample sizes as shown below. A 95% confidence level was chosen in view of social science nature of the study.

$$n = \frac{N}{1 + N(e)^2} = \frac{2302}{1 + 2302(0.05^2)} = 341$$

Where n is the sample size, N is the population size, and e is the level of precision.

Table 2: Bank customers sample size determination

Name of bank	Target population	Proportionate sample size
National Bank	810	119
Transnational Bank	11	11
Family Bank	32	5
Cooperative Bank	194	29
KCB Bank	182	30
ВВК	330	49
Fina Bank	3	3
Guardian Bank	9	9
CBA Bank	1	1
Equity Bank	287	43
Post Bank	6	6
HFCK	33	5
Standard Bank	121	18
ABC Bank	3	3
K.REP Bank	280	41
Total	2302	372

Source: Survey data (2010)

Systematic sampling was further employed for the study which allowed every K^{th} element in the population to be sampled, beginning with a random start of the element in the range of 1 to K. However systematic sampling was only used in banks with customer bases of more than 30.Where the banks' customer base was less than 30, a census was taken thus resulting to an adjusted sample size of 372.

The study employed the use of both primary and secondary data. Primary data was collected from selected bank managers and bank customers. Secondary data was obtained through review of published and unpublished materials such as journals, theses and government documents in libraries and internet. Two sets of Questionnaires were used to collect the data; bank managers' questionnaires and customers' questionnaire. A questionnaire was deemed appropriate for the study as it gave an opportunity to carry out an inquiry on specific issues on a large sample and thus make the study findings more dependable and reliable (Kothari, 2003). On the customer front details to be unearth included their demographic characteristics as well as questions aimed at discovering how respondents, through personal experiences or perceptions view fairness in complaint resolution situations. The questionnaire contained both structured and unstructured questions. The phrasing and content was based on prior service encounter research such as those of Bitner et, al., (1990) as well as those of Kelley et.al, (1993). Likert Type questions were asked on the various procedural strategies as depicted in Table 1.1 so as to measure them. The items measuring each were summed up for use in regression analysis

In collecting data, three steps were involved. First, the research instruments were designed to meet the intended objectives of the study. To achieve this, literature was reviewed in areas related to the study and consultation made with experts. The instruments were pre-tested through pilot study with at least 10% of each of the study samples in similar targeted population groups which included banks in Nakuru town and University of Eastern Africa, Baraton employees. Thirdly, two research assistants were identified and trained on the process and procedure of data collection. Questionnaires were administered by drop and pick later method for the Managers. The manager respondents were given one month within which to complete the questionnaire.

Reliability tests were undertaken to assess the degree of consistency of the measurement scales presented in the questionnaire surveys. This was done as a prerequisite for validity tests (Engel and Schutt, 2005). First, the two sets of questionnaire surveys more specifically banks in Nakuru town and UE.A. Baraton employees as customers of banking services were pilot tested with 10% portion of a similar target population groups. Secondly, reliability was performed using Cronbach alpha coefficient (a) which allowed for the assessment of consistency of the items in the measurement scales of the variable. According to Hair et.al., (2006) the general agreed upon lower limit for Cronbach's a is 3 0.70 but may decrease to 3 0.60 in exploratory research and increase up to 3 0.80 in studies that require more stringent reliability. Where the coefficient value was be found to be lower than the threshold value, further iterations of the procedure was performed eliminating items with total correlation coefficient less than 0.5 at every stage. This was done for all the measurement scales until the Cronbach a coefficient (a) threshold values were achieved. Two types of validity were addressed by the study: internal validity and external validity. Internal validity comprises four dimensions suggested by Yin (1994; 2003) to include face validity, content validly, construct validity and criterion validity. External validity is the extent to which the findings of a particular study under a given setting can be generalized to individuals in other settings (Engel and Schutt, 2005). In processing and cleaning the data in this study, it was important that inspection and editing to ensure completeness, coding as well as the subject of missing data be addressed.

Numeric coding of data was undertaken so as to ensure quick data entry, minimizations of errors in preparation for subsequent analysis and transformation. In order to address the issue of Missing data two steps were undertaken; Completeness and accuracy of responses at the point of data collection and substitution of sampled respondent in the event that he/she was unwilling or not available to respond to the questionnaire. Further accuracy was observed during data coding and entry. In cases where there was missing data albeit in a random manner replacement was done using the mean for the set of data. (Engel and Schutt, 2005; Tabachruck and Fidell, 2007).

Finally, underlying statistical assumptions were taken into account. The most important assumption was that of central limit theorem which states that data should be normally distributed for individuals metric variables (Kothari, 2003). In this study, a test of normality based on skewness and kurtosis values was used with the rule of thumb that if their calculated values exceeded the specified critical values (1.97) then the distribution was considered non-normal (Hair et al, 2006).

In analyzing the data both using descriptive and inferential statistics, statistical analysis was performed using SPSS computer package version 17.0. Descriptive analysis involved the calculations of frequency distribution, percentages, Mean, Standard deviation and mode. The employment of descriptive statistics allowed for the reduction and summary of data as well as analysis of items or variables so as to provide greater insight as to the characteristics of sample. It should also be noted that descriptive analysis was utilized as a basis for inferential statistical analysis like Explanatory Factor Analysis, correlation analysis and multiple regression analysis. Further, Chi-square (χ^2) test of independence was performed to test relationship between categorical variables, where the (χ^2) statistics, degrees of freedom (*df*) and significant values (*p*-values) were used to interpret the results.

Factor analysis as a statistical procedure that attempts to identify the underlying variables or factors that explain the patterns of correlation within a set of observed variables was used. It is based on a sound theoretical framework, and hence the factor loadings statistics help to confirm construct or factor validity (Hair et.al, 2006, Tabachnick and Fidell, 2007). Factor analysis was deemed appropriate for the study in that: it allowed for the confirmation of validity of the factors of the various procedural complaint resolution strategies. Factor analysis was also used to reduce data (factor items) which were subsequently used as constructs of the independent variables. The necessary requirements for factor analysis were fulfilled by the study. Although, factor analysis is recommended for large samples with upto 500 sample size it has also been found to accommodate sample sizes as low as 50 though regarded as poor. Other assumptions of factor analysis observed in the study include use of quantitative data at the interval or ratio level and normality in data distribution.

In performing factor analysis four important steps were taken into account namely: assessing the factorability of data, deriving factors and assessing overall fit, interpreting and factor labeling in subsequent statistical analysis (Hair et al, 2006). Factorability of data was assessed in three ways. First, was the visual inspection that there were factor loadings greater \geq 0.30 to make data appropriate for factor analysis. Second way was the use of Bartlett's test of spherecity (significant at 0.05) to ensure that sufficient correlations existed among the variables so as to proceed with factor analysis. Finally, Kaisser-Meyer -Olkin measure of sampling adequacy (KMO MSA) whose values must be \geq 0.5 for both the overall test and the individual variable were used before proceeding with factor analysis. In the derivation of the factors, principal component Analysis (PCA) methods of extraction were employed. In assessing the overall fit of the PCA, factors with Eigen values greater than 1.0 and giving a percentage variance explanations of 50% or higher was used (Hair et al., 2006). It is further advised by Hair et.al. (2006) that more factors should be used with heterogeneous data.

The results of the orthogonal varimax rotation with Keiser Normalization method generated by factor analysis were used as a basis for interpreting factors accordingly. For each factor component extracted, items with a loading of >0.5 were picked and combined to form a factor component as they were deemed to be conceptually valid (Tabachnic and Fidel, 2007).Conceptual framework guided the labeling of the factor components.

Correlation analysis was performed so as to test the degree of Association amongst the independent variables of the study as a prerequisite for multiple regression. According to Cooper and Schindler (2001), the simplest and most obvious means of identifying collinearity is an examination of the correlation matrix for independent variables. The presence of high correlations (generally .90 and higher) is the first indication of substantial collinearity. Hence Pearson's product-moment correlation coefficient was used to test the association between variable with the guideline that if the Pearson's correlation coefficient(r) value was ≤ 0.40 at 0.05 level of significance, then the association between variable would be deemed low and hence will be in order to perform a Multiple Analysis using the same variable (Tabachnick and Fidell, 2007). Another way of checking for multi collinearity is through variable inflation factor (VIF) index which is simply the inverse of the tolerance value. According to Hair *et al* (2006),a common threshold is a tolerance value of 0.10,which corresponds to a VIF value of 10 and hence large values equal to or greater than 10 suggest multi-collinearity.

Multiple regression model was employed in the study to test the relationship between customer satisfaction (dependent variable) and complaint resolution strategies (independent variables).

The regression model was specified as follows:

- y Dependent variable
- x Independent variable

Ho, Represented by Model 1 with Y as the dependent

 $Y = \alpha + a_{1}x_{1} + a_{2}x_{2} + a_{3}x_{3+}a_{4}x_{4} + e$

 X_1x_2 , x_3x_4 , , are the factors of Timing, Communication, Decision control and Effort respectively (Procedural strategy factors)

 $\alpha___$ is the amount of y not associated with the independent variables

a1,.....a4 represents increase/decrease in the dependent variable (y) associated with a unit increase in independent variables x1x2,x8 respectively.

e..... are the Error Terms for each model respectively.

4.0 DATA ANALYSIS, PRESENTATION AND INTERPRETA-TION

The respondents targeted for the study were 392 consisting of 20 bank managers and 372 bank customers. Out of this, 340 questionnaires were filled and returned thus translating a response rate of 86.7%. The study established that all the indicators of procedural justice were statistically significant (p<0.05) as depicted in table. However most indicators were not significant amongst the bank managers except the following indicators; Bank has a customer call center ($\chi^2 =$ 6.14, df= 2 p= 0.46), Bank resolves customers complaints within one week, ($\chi^2 = 6.14$, df= 2 p= 0.0.04), Bank regularly reviews its customers complaints procedure ($\chi^2 = 9.14$, df= 2 p= 0.0.01).

In measuring customer satisfaction three indicators of happiness, contentment and delightment were used. As depicted in **appendix iv**, all the indicators of customer satisfaction were significant (p<0.05) amongst the bank customers while insignificant (p>0.05) amongst bank managers.

4.1 Factor Analysis on Procedural Justice Strategies

Eighteen items of 5-point Likert scale type questions were used to capture six variables on procedural justice namely; process control, decision control, accessibility, timing/speed and flexibility. Composite reliability analysis on the eighteen items showed internal consistency result that was above threshold of 0.5 (α =0.879). Exploratory factor analysis using principle component, Varimax rotation method with Kaiser Normalization carried out, helped to achieve construct validity for the variables. The Kaiser-Meyer-Olkin of sampling adequacy (KMO=0.822) indicated that the sample size was adequate for the variables entered into analysis and that factor analysis is useful with the data. Barlett's Test of Sphericity was significant at 0.000 level (χ 2=2709.073, df=153, p=.000) showing that structures exist within the components.

As presented in Table 4.26, rotation converged in seven iterations and

four components with Eigenvalues greater than unity extracted accounted for 60.723 of the variance. This is above the threshold of 50% and indicates that the four component factor model derived fits the data appropriately. Items with loadings greater than 0.5 were combined to form four factors; namely, Timing (x_i) , Communication (x_2) , Decision control (x_3) and Effort (x_4) . Concepts within the items guided factor labeling and index construction (see appendix V).

As a prerequisite for regression analysis Pearson's product moment correlation coefficient correlation analysis was used to establish the degree of independence of complaint resolution factors. With the guideline that if Pearson's correlation coefficient value was ≤ 0.40 at 0.05 level of significance, then the association between variables would be deemed low hence in order to perform multiple regression analysis. From the results of correlation analysis it can be concluded that multiple regression analysis (MRA) was tenable and suitable to test the hypotheses of the study. This is in view of the fact that the VIF threshold of 10 was observed. Further, Durbin-Wattson statistics were all below the threshold of 2.00 and above 1.30 thus indicative of non existence of collinearity.

4.2Multiple Regression Analysis

In order to test the effect of procedural justice strategies on customer satisfaction MRA was subjected to the following Null hypothesis formulated thus;-

 $\rm H_{\rm 02}$: There exists no significant effect of organizational procedural Justice on the level of customer satisfaction.

$$Y = \alpha + a_1 X_1 + a_2 X_2 + a_3 X_3 + a_4 X_4 + \epsilon$$

From the results of regression of procedural justice strategies (Effort (x_{A}) , Decision control (x_{A}) , Communication (x_{A}) and Timing (x_{A}) , R=0.660 which indicates that procedural justice factors have a positive effect on customer satisfaction. The model further indicates that these four factors of Effort (x_4) , Decision control (x_3) , Communication (x₂) and Timing (x₂) explained 42.9% of change in customers satisfaction as depicted by the R² (Coefficient of determination) .These results are significant (p<0.05) with an F-ratio of 64.587.The F - ratio as shown in appendix iii is 64.587 with a P -value = 0.000 hence the independent variables of Effort (x,), Decision Control (x,), Communication (x_{1}) and Timing (x_{1}) had a significant effect on the dependent variable of customer satisfaction. The t-statistic as depicted in the model depicts the factors of Timing (x_1) , Communication (x_2) , Decision control (x_3) and Effort (x_4) having a t-statistic of 8.034, 2.598, -2.875 and 5.999 all significant p<0.05). The t-statistic is the Beta coefficient divided by the standard error. The general rule of thumb is that if the true value of the coefficient of any one independent variable as depicted by beta is zero, then the t-statistics would be less than 2.00 hence the independent variable in guestion would be dropped from the model. The results of this study indicate that t-statistics for all the four factors had a significant effect on customer satisfaction (y). The factor of Timing (x_1) and Effort (x_2) had the highest t-statistic of 8.034 and 5.999, both significant (p<0.05) hence the highest effect on customer satisfaction. Specifically, if Timing (x₃) and Communication (x₂) changes by 1 unit then customer satisfaction (y) level will change by 8.034 units and 2.598 units respectively. On the other hand, if Decision Control (x_3) and Effort (x_4) each changes by 1 unit , then customer satisfaction will change by -2.875 units and 5.999 units respectively.

Hence, the regression output model of procedural justice strategies can be stated as follows:

Y=0.662+ 0.413X₁ + 0.128X₂ - 0.133X₃ +0.311X₄ +0.69071

5.0 SUMMARY OF FINDINGS, CONCLUSIONS AND REC-OMMENDATIONS

5.1 Summary of Findings and Discussions

The study established that all the indicators of procedural justice were statistically significant (p<0.05). As depicted in table. However most indicators were not significant amongst the bank managers except the following indicators; Bank has a customer call center ($\chi^2 = 6.14$, df= 2 p= 0.46), Bank resolves customers complaints within one week, ($\chi^2 = 6.14$, df= 2 p= 0.0.04), Bank regularly reviews its customers complaints procedure ($\chi^2 = 9.14$, df= 2 p= 0.0.01).

As a first step to hypothesis testing, it was important to establish the validity of the complaint resolution theories and concepts used in the study. The study adopted the use of fairness' theory and particularly justice theory that has largely been used in conflict resolution. However these theories have been developed and largely used in the western word hence little has been done to validate their applicability in developing economies such as Kenya. In an effort to fill this gap exploratory factor analysis was performed as a way of validating procedural justice strategies (see appendix V). This process yielded four factors underlying procedural complaint handling strategies on customer satisfaction and accounted for 60.73% of total variance with Eigen value greater than unity (see appendix II). These fit indexes shows that the four-factor procedural justice model developed in the study is valid for explaining complaint resolution strategies amongst Bank customers in Eldoret municipality. These findings, therefore underscores the applicability of justice theory in resolving customer complaints as propounded by (Deutsh 1985) and supported by Tax and Brown (1998). This is above the threshold of 50% and indicates that the four component factor model derived fits the data appropriately This implies that while the distributive justice theory is a valid model in resolving customer complaints, the factors identified were inadequate

In addition the results of regression analysis of procedural justice strategies (Effort, Decision control, Communication and Timing), showed; R=0.660 indicating that procedural justice factors have a positive effect on customer satisfaction. The results further indicates that these factors explains 42.9% of change in customers satisfaction as depicted by the R² (Coefficient of determination). These results are significant (F=64.587, P <0.000) thus implying that procedural justice strategies are important in predicting customer satisfaction. This is in line with the findings of Folger (1987) and further supported by Greenberg (1990a) that procedural justice is meaningful because it aims at resolving conflicts so as to encourage the continuation of a proactive relationship between the parties. This position is further supported by Studies carried out by Bitner et al., (2002) who supports the view that procedural issues has an influence on customer satisfaction. Further, individual factor performance as indicated by the t-statistics depicted in the model shows the factors of Timing (x,), Communication (x_{2}) , Decision control (x_{3}) and Effort (x_{4}) having a t-statistic of 8.034, 2.598, -2.875 and 5.999 all significant P-values 0.000 except for Communication (x_{a}) and Decision Control (x_{c}) which were significant at P-values of 0.010 and 0.004 respectively hence all these factors are significant (p<0.05) and therefore have an effect on customer satisfaction. The high t- value on the factors of timing (8.034) and effort (5.999) suggest that bank customers in Eldoret municipality consider the two factors to be important in resolving their complaints. The results also indicate that though the factor of Decision control (x_{r}) is statistically significant, it has a negative effect on customer satisfaction as depicted by t-value of -2.875.

On the overall, the findings of this study suggest that complaint resolution strategies are important in achieving customer satisfaction. This is in line with Levesque and McDougall (1996) who confirmed that service and complaint handling enhances customer satisfaction and that service and complaint handling were the most important customer satisfaction determinants in banks. According to them, satisfaction can be restored, but not enhanced, when a complaint is probably handled, which is why attempts to make it right the first time are preferred. Rust and Subramanian (1992) also suggest that complaint handling also improve satisfaction. Further, the results of this study are in line with those of Nyer (2000) investigated the relationship between customer complaints and customer satisfaction and found out that encouraging consumers to complain increased their satisfaction especially amongst dissatisfied customers. This position is further supported by Johnston (2001) whose finding was that complaint management not only results in customer satisfaction, but also leads to operational improvement and improved financial performance. In an effort to come up with effective complaints resolution strategies, banks' management must identify the source of complaints and subsequent fluctuations in customers' relationship otherwise known as triggers (Roos and Gustafsson, 2007). Tax et al., (1998) have further demonstrated that effective resolution of customer problems can have a positive impact on customers' trust and commitment. The complaint handling, therefore, is a critical "moment of truth" in maintaining and developing the customer relationships (Berry and

Parasuraman 1991; Dwyer *et.,al.* 1987). Successful service companies recognize that while attracting new customers is vital, retaining current customers in a closer relationship is perhaps more essential for profitability (Johnson and Selnes 2004).

By understanding the complaint process and the customer complaint behaviour, the service company can learn how to reduce the impact of an unfavorable service experience or complaint. Unhappy customers often voice their displeasure in the form of negative word-of-mouth to other current and potential customers (Ah-Keng and Wan-Yiun Loh 2006; Richins 1983a; Singh 1988; Voorhees et al.2006). On the other hand, if the complaint is properly handled the customer may engage in positive word of- mouth Helm 2003; Shields 2006). The importance of complaints raised by customers in improving service delivery should not be overlooked. Customer complaints may be useful in many ways: providing marketing intelligence data (Harrison-Walker 2001), identifying common service problems (Harari 1992); Johnston and Mehra 2002; Rickhins and Verhage 1985; Tax and Brown 1998), learning about organisation (Hoch and Deighton 1989; Johnston and Mehra 2002; Tax and Brown 1998), improving service design and delivery (East 2000; Marquis and Filiatrault 2002; Tax and Brown 1998), measuring and enhancing the perception of service quality (Edvardsson 1992; Harrison-Walker 2001; Marquis and Filiatrault 2002), and helping strategic planning (Dröge and Halstead 1991; Johnston and Mehra 2002).

5.2Conclusions & Recommendations

Services are central to the economic activity and are therefore not peripheral activities but rather integral parts of society including Kenya. They are central to a functioning and health of economy. Customer complaints should therefore be treated as an important opportunity for service providers including banks to improve their service offerings to the market place in a timely and spontaneous fashion (Barlow and Moller, 1996). Customer complaints should be transformed into knowledge about the Customer so as to provide a valuable amount of capital for enterprises (Gonzalez, 2001). To exploit this capital, companies must design, build, operate and continuously upgrade systems for managing customer complaints (CCS).Therefore customer centricity in the 21st century in view of competitive market place occasioned by globalization should to be the goal of every bank world-wide and more so in developing countries including Kenya. Complaint handling can be a significantly superior investment for a service company and can generate 30- 150 percent return on investment (Brown 2000) .Which Company does not want to improve it's bottom line by this percentage?

Procedural justice strategies towards complaints resolutions are also well documented. However, this study established four factors out of six factors that have been used in other studies particularly in the western world. The factors that were found to be applicable in the study through factor analysis were effort(x_A) decision control(x_A) communication(x_{1}) and timing(x_{1}) in that these factors had Eigen values greater than unity and explained 60.72% of procedural justice strategies. The overall effect of these factors towards customer satisfaction were significant and major. Individual factor, assessment in terms of effect on customer satisfaction, however, found the factor of decision $control(x_{2})$ to have a negative effect on customer satisfaction. Further, regression analysis yielded a significant positive correlation between procedural justice strategies and customer satisfaction and existed a model fit (42.9% for 0.01 level of significance and 35% at 0.05 level of significance Hair et al (2006). This therefore means that procedural justice strategies are important in determining customer satisfaction and should be aimed at resolving conflicts in ways that will encourage the continuation of productive relationship as suggested by Folgers (1987) and Greenberg (1990). This study makes a contribution in that while there are many complaint resolution models in literature, applied research regarding the same is still scanty in developing countries and Kenya in particular. Further, previous studies on complaint resolution have largely been based on western countries hence their generalizability into the developing countries setting is put to question. This study therefore fills this gap by shading light their applicability towards customer satisfaction.

Procedural justice strategy as originally defined by Deutch (1985) and Reis (1986), encompassed the factors of Process control, Decision control, Accessibility, Timing and Flexibility. However this study establish-

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es four factors; Timing, Communication, Decision control and Effort as measures of procedural justice strategies. This study therefore calls for a review of procedural justice theory components especially in devel-

oping countries such as Kenya. On the whole, justice theory provides a solid and grounded framework in resolving conflicts not only in social circles but also in business and more so in the service sector.

Appendix I: Respondents rating on Procedural Strategies towards Customer Satisfaction

Item Description	Type of	1		2		13		4		5		Statistic		Skewnett Kurto		intosis Test statistics		
	Respondent																	
		f	56	f	14	f	74	f	76	f	54	M	SD	M		X 61 P		
Banks listens effectively to all	с	27	8.5	86	25.3	133	39.1	70	20.6	22	6.5	2.9	1.027	0.063	-0.424	120.44 4 0.00		
customers	M	7	50	2	14.3	2	14.3	3	21.4			4.07	1.141	-0.884	-0.618	4.857 3 0.183		
Bank stimulates customers to	c	53	15.6	125	36.8	75	22.1	66	19.4	21	6.2	2.64	1.143	0.361	-0.764	84.35 4 0.000		
register complaints	M	9	64.3					5	35.7			4.64	0.497	-0.67	-1.838	1.14 1 0.285		
Bank has clear procedure on	C	28	8.2	111	32.6	111	32.6	79	23.2		3.2	2.81	0.991	0.087	-0.663	127,47 4 0.000		
handling complaint	м	8	57.1					6	42.9		I	4.57	0.514	-0.325	-2.241	0.286 1 0.393		
Bank's top management personally	C	45	13.2	148	43.5	71	20.9	45	13.2	31	9.1	2.61	1.148	0.629	0.435	129.94.4 0.000		
handle complaints	M	5	35.7	2	14.3			7	50			4.07	0.997	-1.247	1.175	2.71 2 0.257		
Bank takes into account customers	C	65	19.1	121	35.6	86	25.3	59	17.4	9	2.6	2.49	1.058	0.315	-0.727	98.58 4 0.000		
wishes when taking corrective	м			2	14.3	7	50	2	14.3	3	21.4	3.43	1.016	0.481	-0.736	4.85 3 0.183		
action																		
Bank uses e-business to	С	90	26.5	69	20.3	56	16.5	104	30.6	21	6.2	2.7	1.315	0.032	-1.364	60.79 4 0.000		
communicate with its customers	м			5	35.7			6	42.9	3	21.4	3.50	1.225	-0.293	-1.618	1.00 2 0.607		
Bank has a customer help desk	C	45	13.2	86	25.3	77	22.6	93	27.4	39	11.5	2.99	1.232	-0.029	-1.047	35.29 4 0.000		
	м											3.64	1.447	-0.154	-2.151	2.71 2 0.257		
Bank has a customer call centre	C	59	17.4	114	33.5	79	23.6	48	14.1	45	11.8	2.69	1.246	0.421	-0.804	51.51 4 0.000		
that is operational for 24 hours	M	9	64.3	2	14.3			3	21.4			4.36	1.082	-1.697	1.817	6.14 2 0.046		
Bank regularly visits its customers	C	121	35.6	131	38.5	50	14.7	19	5.6	19	5.6	2.07	1.108	1.103	0.674	175.05 4 0.000		
to establish their satisfaction levels	м			4	28.6	4	28.6	4	28.6	2	14.3	3.29	1.069	0.216	-1.098	0.857 3 0.836		
Bank regularly organize meetings	C	124	36.5	127	37.5	65	19.1	19	5.6	5	1.5	1.198	0.956	0.830	0.260	191.11 4 0.000		
with customer groups to learn	M	1	7.1	4	28.6	3	21.4	4	28.6	2	14.3	3.14	1.231	-0.024	-0.975	2.42 4 0.657		
about their needs																		
Bank has personal contacts with	с	134	39.4	101	29.7	53	15.6	33	9.7	19	5.6	2.12	1.196	0.895	-0.157	136.70 4 0.000		
external customers at least once a	M			1	7.1			6	42.9	7	50	4.36	0.842	-1.732	3.994	4.42 2 0.109		
week																		
Bank's phone is answered within	c	134	39.4	111	32.6	43	12.6	39	11.5	12	3.5	2.13	1.570	6.309	74,830	256.32 5 0.000		
three rings in more than 90% of	M			3	21.4	1	7.1	4	28.6	6	42.9	5.21	4.98	3.353	12.030	6.00 4 0.199		
the cases																		
Bank replies to customer	c	95	27.9	123	36.2	84	24.7	22	6.5	16	4.7	2.24	1.075	0.746	0.110	129.85 4 0.000		
complaints within two days	м			2	14.3	3	21.4	5	35.7	4	28.6	3.79	1.051	-0.436	-0.812	1.42 3 0.699		
Ran o ratio and on them ar	0	101	29.7	- 01	26.8	103	10.1	30		1	11	2.11	1 1 2 0	0.496	-0.457	104 35 4 0.000		
annual alaste within any mash	Ň			15	14.8			17	21.4	1	61.3	4.36	1.082	1.607	1,000	614 2 0.04		
Bank complain processing is short	Č	107	315	126	171	42	12.4	17	13.3	15	111	2.24	1.155	0.781	-0.384	125.02 4 0.000		
bank company recorded to such	M			2	14.3			8	57.1	4	28.6	4.00	0.961	-1.214	1.330	4.00 2.0.135		
Bank corolacly environ in	C	110	32.4	118	34.7	67	19.7	29	8.5	13	3.8	2.16	1.093	0.793	-0.032	130.70 4 0.000		
customers complaints procedure	M					2	14.3	2	14.3	10	71.4	4.57	0.756	-1.526	0.936	9.14 2 0.000		
Bank complaints resolution	c	36	25.3	122	35.9	35	10.3	76	22.4	21	6.2	2.48	1.256	0.467	-1.011	97.08 4 0.000		
procedure depends on nature and	M					2	14.3	6	42.9	6	42.9	4.29	0.726	-0.516	-0.732	2.28 2.0.319		
magnitude of complaints								l Ť		1 °								
Bank is open to suggestions and	С	85	25	131	38.5	76	22.4	23	6.8	25	2.4	2.33	1.141	0.804	0.047	120.52 4 0.000		
ideas of customers on how to	M					2	14.3	2	14.3	10	71.4	4.57	0.756	-1.526	0.936	9.14 2 0.010		
address complaints																		

Appendix I: Respondents rating on Procedural Strategies towards Customer Satisfaction

Key: Measurement Scale range between 1 and 5: 1 = Strongly disagree, 2 = Disagree, 3=Moderately Agree, 4= agree, 5= Strongly Agree C = Customer M = Manager Significance : $p \le 0.05$

Source: Survey Data (2010)

Appendix II: Procedural Strategies Total Variance Explained

	Initial Eigen values			Extraction	n Sums of Square	d Loadings	Rotation Sums of Squared Loadings			
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	
1	6.102	33.899	33.899	6.102	33.899	33.899	3.616	20.089	20.089	
2	2.062	11.457	45.356	2.062	11.457	45.356	3.241	18.008	38.097	
3	1.662	9.232	54.588	1.662	9.232	54.588	2.335	12.972	51.069	
4	1.104	6.135	60.723	1.104	6.135	60.723	1.738	9.655	60.723	
5	.975	5.416	66.139							
6	.890	4.945	71.084							
7	.813	4.516	75.599							
8	.708	3.936	79.535							
9	.647	3.592	83.127							
10	.517	2.870	85.997							
11	.458	2.544	88.542							
12	.447	2.483	91.025							
13	.353	1.962	92.987							
14	.333	1.848	94.835							
15	.252	1.398	96.233							
16	.242	1.343	97.575							
17	.236	1.313	98.889							
18	.200	1.111	100.000							

Extraction Method: Principal Component Analysis.

NB: Four component factors with Eigenvalues>1.0 were extracted

Source: Survey Data (2010)

NB: Items whose loadings were below 0.5 were omitted.

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

Source: Survey Data (2010

Appendix III: Organizational Procedural Justice Factors' Effects on Customer Satisfaction

Model Summary								ANOVA Summary						
Model	R	R Square	Adjusted <u>R</u> Square	Std. Error of the Estimate	Durbin- Watson	df	F	Р						
1	.660ª	.435	.429	.69071	1.763	4	6 4.587	0.000						

a. Predictors: (Constant), EFFORT, DECISION CONTROL, COMMUNICATION, TIMING

b. Dependent Variable: CUSTOMER SATISFACTION

Significance: p≤0.050

Source: Survey Data (2010)

Coefficients of Regression Model Between Organizational Procedural Justice Factors and Customer Satisfaction

Unstandardiz	tandardized Coefficients Standardized C			
В	Std. Error	Beta	t	Sig.
.662	.153		4.327	.000
.434	.054	.413	8.034	.000
.140	.054	.128	2.598	.010
127	.044	133	-2.875	.004
.313	.052	.311	5.999	.000

Table IV: Customer Satisfaction Indicators

Item Description	Respond	1		2		3		4		5		Statistic		Skewness	Kurtosis	Test Stat	tistics	
		f	%	f	%	f	%	f	%	1	%	M	SD	M		x ²	dť	P
Customers are	C	73	21.5	122	35.9	74	21.8	62	18.2	7	2.1	2.46	1.177	1.352	6.881	184.59	5	0.000
generally delighted	M							10	71.4	4	28.6	3.29	1.541	-0.853	-149	4.00	2	0.135
with the bank's C.R.S.																		
Customers are	C	36	10.6	116	34.1	116	34.1	65	19.1	7	2.1	2.68	0.969	0.111	-0.595	137.67	4	0.000
generally happy	м					2	14.3	8	57.1	4	28.0	3.93	0.997	-0.925	0.327	6.00	3	0.112
C.R.S.																		
Customers are	С	55	16.2	134	39.4	87	25.6	52	15.2	12	3.5	2.51	1.046	0.428	-0.469	121.73	4	0.000
generally contented	M			2	14.3	3	21.4	4	28.6	5	35.7	3.86	1.027	-0.669	-0.355	3.140	3	0.370
with the bank's																		
C.K.S.																		

Key: Measurement Scale range between 1 and 5: 1 = Strongly disagree, 2 = Disagree, 3 = Moderately Agree, 4 = agree, 5 = Strongly Agree C = Customer M = Manager

Significance : $p \le 0.05$

Source: Survey Data (2010)

Table V: Procedural Strategies Rotated Component Matrix

	Component			
	1	2	3	4
Bank resolves customer complaints within one week	.837			
Bank complain procedure is short	.685			
Bank regularly reviews its customers complaints procedure	.678			
Bank complaints resolution procedure depends on nature and magnitude of complaints	.664			
Bank's phone is answered within three rings in more than 90% of the case	.651			
Bank is open to suggestion and ideas of customers on how to address complaints	.619			
Bank replies to customers complaints within two days	.568			
Banks stimulate customers to register complains		.790		
Bank has clear procedure on handling complains		.714		
Bank listens effectively to all customers		.709		
Bank has customer help desk		.673		
Bank uses e-business to communicate with its customers		.671		
Bank has a customer call center that is operational for 24 hours		.561		
Bank regularly visits its customers to establish their satisfaction level			.746	
Bank regularly organize meetings with customer groups to leam about their needs			.739	
Bank has personal contacts with external customer at least once a week			.652	
Bank top management personally handle complaints				.849
Bank continuously takes into consideration customers wishes when taking corrective measures				.592
Reliability Test: <u>Cronbach</u> α values (Composites α=.0.879	0.841	0.808	0.729	0.648

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 7 iterations.

NB: Items whose loadings were below 0.5 were omitted.

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